

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2014

Docket No. ACR2014

PUBLIC REPRESENTATIVE INITIAL COMMENTS ON THE
FY 2014 PERFORMANCE REPORT AND FY 2015 PERFORMANCE PLAN

Respectfully submitted,

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February 25, 2015

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I. INTRODUCTION

Pursuant to the Commission's Notice in this proceeding,¹ the Public Representative hereby submits Initial Comments on the Postal Service's FY 2014 Performance Report and FY 2015 Performance Plan (Performance Report and Plan)² as required by 39 U.S.C. §§ 2804 and 2803, respectively. As required by 39 U.S.C. §3653(d), the Commission should evaluate annually whether the Postal Service has met the goals established under sections 2803 and 2804.

In its Notice, inviting public comment on the Performance Report and Plan, the Commission asks to particularly consider -

- If the Postal Service met the established performance goals;
- If the Performance Report and Plan meet statutory requirements, including 39 U.S.C §§ 2803 and 2804;
- The role of strategic initiatives in the Performance Report and Plan;

¹ Notice Regarding the Postal Service's FY 2014 Performance Report and FY 2014 Performance Plan, February 3, 2015 (Notice). *See also* Notice and Order Designating Substitute Public Representative, February 9, 2015.

² The Performance Report and Plan is a part of the Postal Service's 2014 Annual Report to Congress, United States Postal Service Annual Report to Congress at 37-45 (2014 Report to Congress).

- The recommendations the Commission should provide to the Postal Service under 39 U.S.C § 3653(d), and
- Other matters relevant to the Commission's analysis of the Performance Report and plan under 39 U.S.C § 3653(d). Notice at 2-3.

II. LEGAL REQUIREMENTS

Pursuant to 39 U.S.C § 3652(g), the Postal Service filed the Performance Report and Plan with the Commission along with its FY 2014 Annual Compliance Report (FY 2014 ACR).³ The Commission is required to evaluate “whether the Postal Service has met the goals established under sections 2803 and 2804, and may provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in” title 39. See 39 U.S.C. § 3653(d)

Prior to FY 2013, the Commission included its analysis of the Performance Report and Plan into the Annual Compliance Determination (ACD) report.⁴ However, the Commission has determined that its “obligations under section 3653(d) are distinguishable from its annual compliance determination obligations under section 3653(b).”⁵ Therefore, beginning with FY 2013, the Commission started to issue a separate report on the Postal Service's Performance Report and Plan.⁶

As set forth in 39 U.S.C. § 2803 governing Performance Plans, each annual performance plan shall -

³ The 2014 Report to Congress includes the Performance Report and Plan. See, Docket No. ACR2014, Library Reference USPS-FY14-17, December 29, 2014.

⁴ See, e.g., Docket No. ACR 2012, *Annual Compliance Determination*, March 28, 2013, at 43-46 (FY 2012 ACD).

⁵ Docket No. ACR2013, Notice Regarding the Postal Service's FY 2013 Performance Report and FY 2014 Performance Plan, January 17, 2014 (Order No.1972).

⁶ The Commission issued the first report of this kind in July 2014. See Review of Postal Service FY 2013 Performance Report and FY 2014 Performance Plan, July 7, 2014 (FY 2013 Review).

- Establish performance goals to define the level of performance to be achieved by a program activity, § 2803(a)(1);
- Express the goals in an objective, quantifiable and measureable form,⁷ § 2803(a)(2);
- Include a brief description of operational processes and resources required to meet the performance goals, § 2803(a)(3);
- Establish performance indicators for measuring or assessing the relevant outputs, service levels, and outcomes of each project activity, § 2803(a)(4);
- Provide a basis for comparing actual program results with the performance goals, § 2803(a)(5); and
- Describe the means for verification and validation of measured values, § 2803(a)(6)

39 U.S.C. § 2804, governing Program Performance Reports, provides the requirements for the annual Performance Report. Each Report shall, in summary -

- Set forth the performance indicators established in the performance plan, along with the actual program performance achieved compared with the performance goals for that fiscal year, § 2804(b)(1);
- If the performance goals are specified by descriptive statements of a minimally effective program activity and a successful program activity, the results of such program shall be described in relation to those categories and whether the performance failed to meet the criteria of either category, § 2804(b)(2);
- Include actual results for three preceding fiscal years, § 2804(c);
- Review the success of achieving the performance goal, § 2804(d)(1);
- Evaluate the current performance plan relative to the performance achieved in that fiscal year covered by the report, § 2804(d)(2);
- Explain, where applicable, why the goal was not met and describe the plans and schedules for achieving the established performance goal or why it may not be achievable and what action would be recommended, § 2804(d)(3); and

⁷ unless the Postal Service decides to use in an alternative form as prescribed by section 2803(b)

- Include the summary findings of the program evaluations for the fiscal year covered in the report, § 2804(d)(4).

III. COMMENTS ON THE PERFORMANCE REPORT AND PLAN

A. The Postal Service Falls Short in Meeting the Established Goals

The Performance Report and Plan focuses on the four following goals, with the annual measurement targets for each goal:⁸

- Deliver High-Quality Services (Service, % On-Time);
- Provide Excellent Customer Experiences (Customer Experience);
- Ensure a Safe and Healthy Workplace (Workplace Environment);
- Sustain Controllable Income.⁹

Based on the analysis of the Performance Report and Plan, and for the reasons described below, the Public Representative concludes that the Postal Service either failed to meet or only partially met the established performance goals.

1. Service (% On-Time)

While estimating the Quality of Services, the Postal Service uses % on-time delivery as a measure. As Table 1 illustrates, targets are not met for seven out of eight performance indicators the Postal Service applies to measure its Service goal.¹⁰ For five Service indicators, the gap between the target and the actual % on-time is more than 2 percentage points. The highest gaps are observed for three-to-five day delivery for First-Class Mail, both Single-Piece (7.55 percentage points) and Presort (3.05

⁸ 2014 Report to Congress at 39.

⁹ In the current Performance Report and Plan, the Postal Service uses a new name for its traditional financial goal.

¹⁰ In Table 1 and Tables 2-3 provided further in the Initial Comments, the colored cells indicate the targets that are higher than the actual performance scores.

percentage points), as well as for Standard Composite Mail (4.6 percentage points). It is evident that in FY 2014, the Postal Service did not meet its Service targets.¹¹ By comparing the FY 2014 Service results with the results for prior years, it is easy to observe the degradation of Service scores for all performance indicators where prior years' results are available. See Table 1 below. The FY 2014 was the first year when the Postal Service measured Service for First-Class Composite and Standard Composite Mail.¹² As noted in the FY 2013 Review, the Commission found this action encouraging.¹³ Unfortunately, the actual FY 2014 Service scores show that the Postal Service did not set realistic targets for that fiscal year.

Table 1:
FY 2010-2015 Actual Results and Targets for the Performance Goal to
Deliver High-Quality Services (% On-Time)

Performance Goal	Performance Indicator/Measure	FY2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Target	FY 2012 Actual	FY 2013 Target	FY 2013 Actual	FY 2014 Target	FY 2014 Actual	FY2015 Target
Service (% on Time)	Single Piece First Class Mail										
	Overnight	96.4	96.65	96.23	96.65	96.48	96.7	96.1	96.8	96.0	96.8
	Two-Day	93.7	94.15	93.34	94.15	94.84	95.1	95.3	96.5	94.9	96.5
	Three-to-five-day	92.4	92.85	91.87	92.85	92.29	95.0	91.6	95.25	87.7	95.25
	Presort First-Class Mail										
	Overnight	N/A	N/A	N/A	N/A	96.8	96.7	97.2	96.8	97.0	96.8
	Two-Day	N/A	N/A	N/A	N/A	95.7	95.1	97.0	96.5	96.4	96.5
	Three-to-five-day	N/A	N/A	N/A	N/A	95.1	95.0	95.1	95.25	92.2	95.25
	First-Class Composite	N/A	N/A	N/A	N/A	N/A	N/A	N/A	96.0	93.6	96.0
	Standard Composite	N/A	N/A	N/A	N/A	N/A	N/A	N/A	91.0	86.4	91.0

Sources: FY 2014 Report to Congress at 39 and FY 2013 Review at 8.

¹¹ The only exception is Presort First-Class Mail, overnight delivery, where in FY 2014, the actual % on-time score was 0.2 percentage points higher than the target. 2014 Report to Congress at 39.

¹² For FY 2014 Service performance measurement purposes, First-Class composite mail combines Single-Piece First-Class and Commercial First-Class, with the aggregation of overnight, 2-day and 3-day service. Standard composite mail combines "Standard Mail destination entry for Sectional Center Facility (SCF) letters and national Distribution Center (NDC) letters and flats. *Id.*

¹³ FY 2013 Review at 10.

In the Performance Report and Plan, the Postal Service explains the decrease in the Service scores by “an aggressive work hour stretch and the hiring, training and replacement (due to turnover) of many new employees”.¹⁴ However, the Postal Service does not clearly explain how it is planning to solve the problem of turnover. In Responses to CHIR No. 2, the Postal Service also notes that the performance scores for First-Class Mail Flats (that were below target in FY 2014), and, especially, scores for three-to-five day delivery, should be attributed “to the extreme weather experienced during the winter of 2014.”¹⁵

The Postal Service still maintains that “FY 2014 performance scores have remained remarkably high and relatively stable considering the changes made to network.” *Id.* The Public Representative has not found such explanation sufficient.

First, last year the Postal Service indicated that in order to achieve service performance targets for FY 2014, it would apply Lean Mail Processing principles to improve efficiency, reduce cycle time and eliminate waste.¹⁶ In the current Performance Report and Plan the Postal Service does not indicate to what extent it applied the referenced above principles, and why they did not help enough to meet the targets. However, in Responses to CHIR No. 2, the Postal Service does confirm that it deployed Lean Mail Processing to all “processing plants and network distribution centers.”¹⁷ As the Postal Service notes, “[t]he LMP concepts standardizes mail processing operations and requires plants to complete specific Lean Six Sigma projects aimed at cycle reduction and increased productiveness.” *Id.* The Public Representative concludes that LMP will not produce positive effect immediately, especially because its implementation is “an ongoing cycle” that includes “more projects in phases.” *Id.*

¹⁴ 2014 Report to Congress at 38.

¹⁵ Responses of the United States Postal Service to Questions 7, 9, 11 and 14 of Chairman’s Information Request No. 2, question 11a, January 29, 2015 (Responses to CHIR No. 2).

¹⁶ Docket No. ACR2013, Responses of the United States Postal Service to Questions 1, 5-6, 8-11 of Chairman’s Information Request No. 15, question 10(c), March 21, 2014.

¹⁷ Responses to CHIR No. 2, question 11b.

Second, change to the network that the Postal Service refers to, is a planned action, and service performance targets should have already reflected the corresponding changes. Although in FY 2015, the Postal Service will continue with the network changes, it sets the FY 2015 Service (% on- time) targets at the same level as the FY 2014 targets. The Postal Service expresses some hope that “the completion of the Phase 2 Network Consolidation Project and the benefits of a fully trained non-career workforce” will allow to achieve FY 2015 Service performance goals.¹⁸ However, the Postal Service has not provided any plans or schedules here as required by section 2804(d)(3).

Third, taking into account how big the United States is, and how severe the weather can be in different parts of the country, the Postal Service should not rely on weather issues when providing the reasons for low performance scores. The Postal Service should undertake specific operational measures to make service performance results less dependable on certain events, particularly on weather conditions.

The Public Representative finds that for transparency purposes and, specifically, for the interests of the general public, the Postal Service should provide detailed information regarding the special steps it is going undertake in order to reach the FY 2015 Service performance targets.

2. Customer Experience

In the Performance Report and Plan the Postal Service states: “in FY 2013 we revamped how we measure customer experience” and replaced the old metric and measurement system, Customer Experience Measurement (CEM) by the new one – Customer Insights (CI).¹⁹ As the Postal Service indicates, FY 2013 and FY 2014 serve as baseline years, and the first targets under the new measurement system are established for FY 2015. *Id.* Based on the information from the Performance Report

¹⁸ 2014 Report to Congress at 38.

¹⁹ *Id.* at 39.

and Plan, it appears that since the new measurement system, CI, and the old, CEM, use different metrics, the comparison of FY 2014 performance targets with prior years' results is not appropriate. However, in Responses to CHIR No. 5, question 2e, the Postal Service provides the FY 2014 actual scores under the new system.²⁰ In Chart 1 below, the Public Representative gives the description for CI measurement system and the corresponding FY 2014 actual and FY 2015 target scores.

Chart 1:
Performance Goal to Provide Excellent Customer Service Experience, by Component
(FY 2014 Actual and FY 2015 Target Scores)

	Measure (with the description for each component)	FY 2014 Actual	FY 2015 Target
100%	Customer Insights (CI) The new composite survey metrics includes 4 components. In FY 2013, it replaced the old Customer Experience Measurement (CEM).	84.65%	82.50%
20%	Point of Sale (POS) The survey includes all customers, who conduct transactions at Postal Service locations with POS equipment	81.59%	90.00%
40%	Business Service Network (BSN) The survey includes mailers with accounts in CustomerFirst! database, who reported service issues (created a service request).	94.05%	94.00%
20%	Delivery The survey is mailed to randomly selected both residential and small/ medium business customers	79.55%	90.00%
20%	Customer Care Center (CCC) The survey is for [randomly selected] residential customers who call the USPS Care Center and speak with a Live Agent	74.00%	90.00%

Sources: Report to Congress at 39-40; Responses to CHIR No. 5, Questions 1, 2e and 5.

²⁰ United States Postal Service Responses to Questions 1-5, 8 and 9 of Chairman's Information Request No. 5, February 10, 2015 (Responses to CHIR No. 5).

Based on the analysis of the information provided by the Postal Service, it is unclear how the FY 2015 Customer Insights target of 82.5 percent was calculated. Following the calculation methodology presented in USPS-FY-47,²¹ it appears that the target should be 91.60%. In Responses to CHIR No. 5, the Postal Service indicates that the FY 2015 target [for each customer service measure], “was determined by applying the revised National Performance Assessment scale.”²² The Public Representative believes that the Postal Service should provide the clarification for the quoted above statement and the overall methodology for calculating the FY 2015 target composite score under Customer Insights metrics.

Also, the Public Representative has noticed a significant inconsistency in the presentation of Customer Experience results and targets in the current fiscal year Performance Report and Plan and the one for the last year.²³ While in the current Performance Report and Plan the Postal Service states that it replaced the measurement system in FY 2013, the FY 2014 Customer Experience targets were originally reported in CEM metrics.²⁴ In the FY 2013 ACR filings, the Postal Service did mention the Customer Insights measurement system, but as a system it was still developing.²⁵ The Postal Service also noted that through FY 2013, it “worked on redesign[ing] the customer satisfaction program and metrics”, with the intention of implementing those metrics in FY 2014.²⁶ Since the Postal Service did not provide any

²¹ Responses to CHIR No. 5, question 1b, Library Reference USPS-FY-47, File “Chir5.Q1b.Calculation Worksheet.xlsx”, tab ‘Calculating CI Metric’.

²² Responses to CHIR No. 5, question 2f.

²³ FY2013 Performance Report and FY2014 Performance Plan was a part of the United States Postal Service 2013 Annual Report to Congress (2013 Report to Congress at 37-43). See Docket No. ACR 2013, *Annual Compliance Report*, Library Reference USPS-FY13-17, December 27, 2013 (FY 2013 ACR).

²⁴ 2013 Report to Congress at 39.

²⁵ FY 2013 ACR, Responses of the United States Postal Service to Questions 1-8 of Chairman’s Information Request No. 12, question 6, March 14, 2014.

²⁶ FY 2013 ACR, Responses of the United States Postal Service to Questions 1, 5-6, 8-11 of Chairman’s Information Request No. 15, question 1, March 21, 2014.

other details regarding the proposed metrics, the Commission in its FY 2013 Review discussed the Customer Experience score targets developed under the old system.²⁷

The Public Representative expresses great hope that in the future, the Postal Service will be providing adequate and on-time information regarding the proposed (and, especially, already occurred) transition of the measurement programs and metrics. The increase in transparency will assist the Commission reviews and serve the interests of the general public. The Public Representative feels obliged to acknowledge that in the Performance Report and Plan, the Postal Service followed the Commission directives to provide disaggregated residential and small/business survey responses.²⁸ The Public Representative appreciates the provision of Customer Insights survey instruments and results in the ACR 2014.²⁹

3. Workplace Environment

In measuring how safe and healthy the workplace is, the Postal Service traditionally relies on two performance indicators – OSHA illness and injury (I&I) rate³⁰ and the Voice of Employee (VoE) Survey results. Table 2 provides the comparison between current and historical targets and results.

The FY 2014 actual OSHA I&I rate is 6.32, a deterioration of 0.77 over the FY 2014 target. The FY 2014 actual rate not only failed to meet its FY 2014 target, but appears to be the worst since FY 2010. The rate reported by the Postal Service in its

²⁷ FY 2013 Review at 14.

²⁸ FY 2013 Review at 15.

²⁹ FY 2014 ACR, Library Reference USPS-FY14-38, CI Question Response Counts FY 2014.

³⁰ Occupational Safety and Health Administration (OSHA) of the United States Department of Labor provides the following formula for I&I rate calculation. Total number of OSHA illnesses and injuries is multiplied by 200,000 hours (100 employees working 2,000 hours per year) and divided by number of exposure hours worked by all employees. Report to Congress at 39.

Performance Report and Plan differs from the Total Case rate of 7.4 reported by OSHA for the Postal Service for the same period.³¹

Table 2:

FY 2010-2015 Actual Results and Targets for the Performance Goal to Ensure a Safe and Healthy Workplace

Performance Goal	Performance Indicator/Measure	FY2010	FY 2011		FY 2012		FY 2013		FY 2014		FY2015
		Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Workplace	OSHA illness & Injury Rate	5.76	5.39	6.03	5.57	5.78	5.72	5.61	5.55	6.32	5.10
Environment	Voice of Employee Survey	62.30	64.50	64.70	64.90	64.70	64.90	64.70	65.10	65.01	65.10

Sources: 2014 Report to Congress at 39 and FY 2013 Review at 8.

The Postal Service stated that severe winter of FY 2014 was the primary cause for the 12 percent increase of I&I rate.³² The Postal Service proposes to focus on training new employees in work safety to lower the incidence rate in the coming year. The Postal Service has encountered a high turnover with the City Carrier Assistants³³ and the added cost and the task of continuously training new City Carrier Assistants as existing employees in this category leave employment after a short duration might prove daunting.

The target for FY 2015 is set as 5.10. As Table 2 illustrates, this is 0.66 points lower than the lowest OSHA I&I rate observed in the last 5 years, and 1.22 lower than the FY 2014 actual rate. The Public Representative has significant doubts that the established target is realistic. This, comparatively low I&I rate, also leads to the foregoing questions regarding upcoming changes to medical information, goals, or performance indicators and measurement system itself.

³¹ See Federal Injury and Illness Statistics for Fiscal Year 2014 (Final), Occupational Safety & Health Administration, U.S. Department of Labor, https://www.osha.gov/dep/fap/statistics/fedrprgrms_stats14_final.html.

³² 2014 Report to Congress at 40.

³³ *Id* at 41.

The actual Voice of the Employee (VoE) survey index,³⁴ improved in FY 2014 by 0.31 points in comparison with the FY 2013 actual index, but did not meet the target. The FY 2015 target is set as 65.1 (at status quo), appearing to forecast no change as a result of any workplace enhancing programs to be implemented.

4. Sustain Controllable Income

To track financial performance results, the Postal Service uses two metrics – Deliveries per Hour (DPH) and Net Controllable Income (NCI). See Table 3.

Table 3:

FY 2010-2015 Actual Results and Targets for the Financial Performance Goal

Performance	Performance	FY2010	FY 2011		FY 2012		FY 2013		FY 2014		FY2015
Goal	Indicator/Measure	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Sustain	Deliveries per Hour	N/A	40.40	39.90	42.20	41.00	42.70	41.60	42.90	42.00	43.30
Controllable Income	Net Controllable Income	N/A	(0.90)	(2.70)	(3.00)	(2.40)	(2.00)	(1.00)	0.90	1.37	0.50

Sources: 2014 Report to Congress at 39 and FY 2013 Review at 8.

The FY 2014 actual net controllable income is \$1.37 billion, a significant improvement towards the \$1 billion loss experienced in FY 2013. The Postal Service reduced the FY 2014 target from \$1.1 billion³⁵ to 0.9 billion due to the lower than expected cost savings (as a result of the delay in the implementation of Phase 2 of the Network Rationalization Plan).³⁶ The FY 2014 actual net controllable income represents a \$0.47 billion improvement over the revised target.

The primary reason for the FY 2014 revenue increase is the \$1.3 billion exigent surcharge on Market Dominant products, and also revenue from higher volumes of

³⁴ VoE survey index is the average percent of employees responding favorably to eight questions,

³⁵ As was set in the last year Performance Report and Plan. See 2013 Report to Congress at 39.

³⁶ 2014 Report to Congress at 41.

Competitive products. Personnel expenses declined from prior year primarily due to the increased use of non-career workers and a reduction in work hours. Transportation costs were lower in the current year with favorable rates from the renegotiated Air Cargo contract. The Postal Service Cash on Hand is the highest in the past five years as a result of reaching its borrowing capacity and the nonpayment of the statutory retiree health benefit obligations in recent years.

The FY 2015 target net controllable income is \$0.5 billion. This is lower than the FY 2014 target, even after including the expected cost savings from delayed implementation of Phase 2 of the Network Rationalization Plan. The Postal Service expects future growth through packages and has implemented many technologies such as my usps.com to further its package business. Packages have a comparatively lower contribution margin than letter mail.

In FY 2014, DPH increased slightly, from 41.6 to 42.0 and this increase is consistent with what we observed in the previous years. DPH still did not meet the FY 2014, the already lowered, target of 42.9.³⁷ There is a discrepancy of 491,169 delivery points between the FY 2014 actual number of delivery points reported in the recent Response to CHIR No. 5, and in the FY 2014 Comprehensive Statement on postal Operations.³⁸

The Postal Service provides various reasons for not meeting the FY 2014 target. The reasons include aggressive work hours fueled by Sunday package delivery, a high turnover rate in its City Carrier Assistants, and less than expected savings from Phase 1 of the Network Rationalization Plan.³⁹

³⁷ The Postal Service lowered the original FY 2014 target to “reflect deferral of Network Rationalization, Phase 2”. Performance Report and Plan at 39.

³⁸ Compare Responses of the United States Postal Service to Questions 6 and 7 of Chairman’s Information Request No. 5, question 7, file “CHIR5.Q7.DPH FY 15.xlsx”, tab ‘F 14 Actual DPH’, February 18, 2015 (Responses to CHIR No. 5) and 2014 Report to Congress at 55.

³⁹ Report to Congress at 41.

The FY 2015 target for DPH of 43.3 remains aggressive. As Table 3 illustrates, in the last four years, the Postal Service has not met its DPH targets. The Public Representative concludes that the Postal Service has fallen slightly short of the target set in this category since it changed its measurement indicator in FY 2011, when Deliveries per Hour replaced Total Factor Productivity.⁴⁰

B. Compliance with the Requirements of 39 U.S.C. §§ 2803 and 2804

The Public Representative believes that the FY 2014 Performance Report and FY 2015 Performance Plan satisfied the requirements of U.S.C. § 2804, but failed to meet some of the statutory requirements of Section 2803.

1. The Performance Plan – Provisions of § 2803(a)

The Public Representative finds the Performance Report and Plan does not meet the requirements of section 2803(a) of title 39. In the FY 2013 Review, the Commission indicated that the FY 2014 Performance Plan did not cover “each program activity set forth in the Postal Service budget”.⁴¹ The Commission requested that “in future Annual Performance Plans, the Postal Service should provide “performance indicators for each program activity in its budget” and describe “how each performance indicator measures each program activity’s performance.”⁴² The Postal Service’s FY 2015 Performance Plan failed to follow the Commission’s directives.

For the majority of performance goals, the FY 2015 Performance Plan includes “a brief description of operational resources required to meet the performance goals” and, therefore, satisfies the requirements of 2803(a)(3). However, as the Public

⁴⁰ United States Postal Service 2011 Annual Report to Congress and Comprehensive Statement on Postal Operations at 35. See <https://about.usps.com/publications/annual-report-comprehensive-statement-2011/annual-report-comprehensive-statement-2011.pdf>

⁴¹ FY 2013 Review at 40.

⁴² *Id* at 40-41.

Representative noted above, this information might be insufficient and require additional clarification.

2. The Performance Report – Provisions of § 2804

Although the Public Representative believes that the FY 2014 Performance Report did meet the requirements of section 2804 of title 39, there are a few concerns described below.

First, the analysis provided in Section III.A. above illustrates that in FY 2014, the Postal Service did not meet many targets for the established goals. As required by U.S.C. § 2804(d)(3), the Postal Service should, in that case (1) explain why the goal is not met; (2) provide the plans and schedules for achieving the goal, and, (3) if the performance goal is impractical or infeasible, indicate the reason for it and provide any recommended corrective actions. The Postal Service provided some explanation for not meeting the goals, but did not provide any actual schedules to achieve the goals.⁴³

Second, to comply with 39 U.S.C. § 2804(c) the FY 2014 Performance Report must include “actual results for the three preceding fiscal years.” It appears that due to the recent change of measurement metrics, the provision of such results for Customer Experience goal is not possible. However, the Public Representative is mindful that the Postal Service clarifies the connection between the FY 2014 performance targets established last year in the FY 2014 Performance Plan and those reported in the current FY 2014 Performance Report. (See Section III.A.2. of the Initial Comments).

IV. STRATEGIC INITIATIVES

In the Notice, the Commission requested public comments on the role of strategic initiatives in the Performance Report and Plan.⁴⁴ Generally, strategic initiatives

⁴³ The Postal Service did not actually admit that any of the FY 2014 performance goals appeared “impractical or infeasible” and set FY 2015 targets at the same or even higher levels than in FY 2014.

⁴⁴ Notice at 3.

are specific actions that implement multi-year, high level strategic goals within a 12-18 month period. The dissection of long term strategic goals into timely, definable segments to create a detailed roadmap in line with day-to-day activities aids in implementing the overarching strategy. Initiatives may involve redesigning current programs or phasing out others in order to engage in work that is more directly aligned with the strategy.⁴⁵

As originally established, the Postal Service's strategic initiatives should link the performance goals to the actions necessary to achieve them. In its FY 2013 Review, the Commission requested that the FY 2014 Performance Report and FY 2015 Performance Plan should include Information relating to the strategic initiative cross portfolio performance indicators (including their description and linking to the appropriate strategic initiatives).⁴⁶

The Postal Service provides the list of the strategic initiatives in its 2014 Report to Congress, as a part of the FY2014 Comprehensive Statement on Postal Operations (which is outside of the Performance Report and Plan). For the FY 2014, the Postal Service lists 21 initiatives, all linked to the FY 2014 corporate goals.⁴⁷ The Postal Service also links the FY 2014 initiatives and goals to the corresponding FY 2013 goals, and indicates instances of the FY 2014 initiative continuing from the last year or any refinement. In some cases the FY 2014 initiative is a combination of multiple FY 2013 initiatives or a completely new initiative. *Id.*

The Public Representative applauds the improvement in presentation of the strategic initiatives in the Annual Report to Congress. However, as illustrated in Table 4

⁴⁵ See, e.g., Hadley J., Lanzerotti L., and Nathan A. Living into Your Strategic Plan: A Guide to Implementation That Gets Results. Step 1: Translate Strategic Goals into Actionable Initiatives, <http://www.bridgespan.org/Publications-and-Tools/Strategy-Development/Living-Into-Your-Strategic-Plan/Step-1-Test.aspx>

⁴⁶ See FY 2013 Review at 42.

⁴⁷ 2014 Report to Congress at 73.

using an example of one corporate goal and one strategic initiative, the Postal Service does not provide all the necessary information.⁴⁸

Table 4:
Strategic Initiative Action Plan

Corporate Goal	Strategic Initiative	Key Activities	Resource Requirements	Timeline
Sustain Controllable Income	Establish the Digital Platform	Steps to achieve the Deliverable	Resources needed to implement the initiative	Start and End Date of initiative
Provided	Provided	Not Provided	Not Provided	Not Provided

Also, the FY 2014 strategic initiatives provided by the Postal Service do little to enlighten the reader of the overall intended improvement sought by the initiative or the progress of each initiative.

V. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

⁴⁸ The strategic initiative action steps detailed in Table 4 have been used by the United States Department of the Interior. See, U.S. Department of the Interior 2013/2014 Annual Performance Plan & 2012 Report (App&R), April 11, 2013, <http://www.doi.gov/bpp/upload/DOI-APPR-04112013-v2.pdf>

Respectfully submitted,

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Public Representative Team
On the FY 2014 Performance Report
and FY 2015 Performance Plan

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